



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Wauseon Exempted Village School District  
Fulton County  
930 East Oak Street  
Wauseon, Ohio 43567-2223

To the Board of Education:

### ***Report on the Audit of the Financial Statements***

#### ***Adverse Opinion***

We have audited the financial statements of the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total of Wauseon Exempted Village School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2022, and related notes to the financial statements.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Financial Statements as a Whole* section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2022, or the changes in financial position thereof for the year then ended.

#### ***Basis for Adverse Opinion on the Financial Statements as a Whole***

As described in Note 2 of the financial statements, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material and pervasive.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

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Efficient • Effective • Transparent

***Emphasis of Matter***

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted to opine on the financial statements as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion on the Financial Statements as a Whole* paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 17, 2023

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

|   | <u>General</u>      | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------------|-------------------------|-----------------------------|---|
| <b>Receipts:</b>                                      |                     |                            |                         |                             |   |
| Property taxes  | \$ 5,780,707        | \$ 89,783                  | \$ 1,720,955            | \$ 640,564                  | \$ 8,232,009                            |
| Intergovernmental                                     | 12,134,545          | 3,402,486                  | 178,701                 | 70,305                      | 15,786,037                              |
| Investment Income                                     | 29,850              | 3,879                      | -                       | -                           | 33,729                                  |
| Tuition and fees                                      | 99,052              | -                          | -                       | -                           | 99,052                                  |
| Extracurricular Activities                            | 6,490               | 365,557                    | -                       | -                           | 372,047                                 |
| Rent  | 68                  | -                          | -                       | -                           | 68                                      |
| Charges for services                                  | -                   | 105,557                    | -                       | -                           | 105,557                                 |
| Gifts and Donations                                   | 34,108              | 16,368                     | -                       | -                           | 50,476                                  |
| Miscellaneous   | 69,356              | -                          | -                       | 1,300,579                   | 1,369,935                               |
| Total receipts  | <u>18,154,176</u>   | <u>3,983,630</u>           | <u>1,899,656</u>        | <u>2,011,448</u>            | <u>26,048,910</u>                       |
| <b>Disbursements:</b>                                 |                     |                            |                         |                             |   |
| Current:  |                     |                            |                         |                             |   |
| Instruction:  |                     |                            |                         |                             |   |
| Regular   | 8,994,219           | 376,691                    | -                       | 14,155                      | 9,385,065                               |
| Special   | 2,864,263           | 595,092                    | -                       | 1,255                       | 3,460,610                               |
| Vocational  | 337,462             | -                          | -                       | -                           | 337,462                                 |
| Other   | 41,950              | -                          | -                       | -                           | 41,950                                  |
| Support services:                                     |                     |                            |                         |                             |   |
| Pupil   | 1,065,593           | -                          | -                       | -                           | 1,065,593                               |
| Instructional staff                                   | 418,390             | 1,168                      | -                       | -                           | 419,558                                 |
| Board of education                                    | -                   | -                          | -                       | -                           | -                                       |
| Administration  | 1,665,447           | -                          | -                       | -                           | 1,665,447                               |
| Fiscal  | 487,365             | 1,919                      | 35,586                  | 13,246                      | 538,116                                 |
| Operations and Maintenance of Plant                   | 1,400,377           | 16,692                     | -                       | 108,463                     | 1,525,532                               |
| Pupil transportation                                  | 819,660             | 435                        | -                       | 4,207                       | 824,302                                 |
| Central   | 843,652             | 7,200                      | -                       | -                           | 850,852                                 |
| Operation of non-instructional services:              |                     |                            |                         |                             |   |
| Food service operations                               | -                   | 765,231                    | -                       | -                           | 765,231                                 |
| Community Service                                     | -                   | 4,867                      | -                       | -                           | 4,867                                   |
| Extracurricular activities                            | 531,345             | 402,916                    | -                       | 8,432                       | 942,693                                 |
| Capital outlay  | -                   | 1,648,090                  | -                       | -                           | 1,648,090                               |
| Debt service:   |                     |                            |                         |                             |   |
| Principal retirement                                  | 235,000             | -                          | 1,126,523               | 70,000                      | 1,431,523                               |
| Interest and fiscal charges                           | 84,056              | -                          | 798,759                 | 31,680                      | 914,495                                 |
| Total disbursements                                   | <u>19,788,779</u>   | <u>3,820,301</u>           | <u>1,960,868</u>        | <u>251,438</u>              | <u>25,821,386</u>                       |
| Excess Cash Receipts Over/(Under) Cash Disbursements: | <u>(1,634,603)</u>  | <u>163,329</u>             | <u>(61,212)</u>         | <u>1,760,010</u>            | <u>227,524</u>                          |
| <b>Other financing sources (uses):</b>                |                     |                            |                         |                             |   |
| Proceeds of Refunding Bonds                           | -                   | -                          | 2,235,000               | -                           | 2,235,000                               |
| Payment to Refunding Bond Escrow Agent                | -                   | -                          | (2,235,000)             | -                           | (2,235,000)                             |
| Proceeds from sale of capital assets                  | -                   | -                          | -                       | 66,720                      | 66,720                                  |
| Transfers in  | 669,000             | -                          | -                       | -                           | 669,000                                 |
| Transfers (out)                                       | -                   | -                          | -                       | (669,000)                   | (669,000)                               |
| Total other financing sources (uses)                  | <u>669,000</u>      | <u>-</u>                   | <u>-</u>                | <u>(602,280)</u>            | <u>66,720</u>                           |
| Net change in fund balances                           | (965,603)           | 163,329                    | (61,212)                | 1,157,730                   | 294,244                                 |
| <b>Fund balances at beginning of year</b>             | <u>4,178,978</u>    | <u>1,607,618</u>           | <u>2,199,529</u>        | <u>827,068</u>              | <u>8,813,193</u>                        |
| <b>Fund balances at end of year</b>                   | <u>\$ 3,213,375</u> | <u>\$ 1,770,947</u>        | <u>\$ 2,138,317</u>     | <u>\$ 1,984,798</u>         | <u>\$ 9,107,437</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY, OHIO

STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN FUND BALANCE  
FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>Custodial</u>   |
|---|--------------------|
| <b>Additions:</b>   |                    |
| Extracurricular Amounts Collected for Other Organizations | \$ 2,934           |
| <b>Deductions:</b>  |                    |
| Extracurricular Distributions to Other Organizations      | <u>2,934</u>       |
| Net Change in Fund Cash Balances                          | -                  |
| <b>Net position at beginning of year</b>                  | <u>-</u>           |
| <b>Net position at end of year</b>                        | <u><u>\$ -</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

Wauseon Exempted Village School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and federal guidelines.

The School District was established in 1865 through the consolidation of existing land areas and school districts. The School District serves an area of approximately fifty-four square miles. It is located in Fulton County, and includes all of the City of Wauseon and portions of Clinton, Dover, and York Townships. The School District currently operates four instructional buildings.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

***Reporting Entity***

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The financial statements of the reporting entity include only those of the School District (the primary government).

The following organizations are described due to their relationship to the School District:

**Jointly Governed Organizations**

**Northwest Ohio Computer Association** – The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with

**Wauseon Exempted Village School District**

**Fulton County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2022*

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the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

**Northern Buckeye Education Council** – The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

**Four County Career Center** – The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

**Insurance Pools**

**Ohio School Plan** – The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. Members of the Plan include public school districts, educational service centers, joint vocational schools, centers of government, boards of developmental disabilities and community colleges in the state of Ohio, which are eligible to participate under applicable statute, ruling, or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator.

**Employee Insurance Benefits Program** - The District participated in the Northern Buckeye Health Plan - Northwest Division of the Optimal Health Initiative Consortium (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. Financial information for the period can be obtained from Charlie Leboeuf, Treasurer, at 201 East 5th Street, Suite 1200, Cincinnati, Ohio 45202. Participation ended December 31, 2021.

**Northern Buckeye Education Council Workers' Compensation Group Rating Plan** – The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

## Wauseon Exempted Village School District

### Fulton County, Ohio

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2022*

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#### **Related Organization**

**Wauseon Public Library** – The Wauseon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Wauseon Exempted Village School District Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wauseon Public Library, 117 East Elm Street, Wauseon, Ohio 43567.

#### ***Basis of Presentation***

The School District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances for all governmental fund types, and a statement of additions, deductions and changes in fund balances for the fiduciary fund type, which are organized on a fund type basis.

#### ***Fund Accounting***

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The constraints associated with each type of fund are as follows:

#### **Governmental Funds**

**General Fund** – The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The School District had the following significant special revenue funds:

***Food Service Fund*** – This fund is used to record financial transactions related to food service operation.

***IDEA, Part B Fund*** – This fund is used to account for grants to assist states in providing an appropriate public education to all children with disabilities.

***Elementary & Secondary School Emergency Relief (ESSER) Fund*** – This fund is used to account for emergency relief grants related to the COVID-19 pandemic and provide for the coordination of preparedness and response efforts, training and development of staff, planning during long-term closure and purchasing technology for students.

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Debt Service Funds** – This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment. The School District’s only debt service fund is the Bond Retirement Fund.

**Capital Projects Funds** – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The School District had the following significant capital project fund:

***Permanent Improvement Fund*** – This fund accounts for all transactions related to the acquiring, constructing or improving facilities.

**Fiduciary Funds**

The School District’s fiduciary funds are custodial funds. Custodial funds are used to account for assets held by the School District as an agent for individuals, other governmental units and/or other funds. The School District had the following custodial fund:

***Ohio High School Athletic Association (OHSAA)*** – This fund accounts for the OHSAA tournament monies received or distributed by the School District.

***Basis of Accounting***

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the School District has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

***Budgetary Process***

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2022.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***Deposits and Investments***

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The School District values certificates of deposits at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's basis of accounting.

**Wauseon Exempted Village School District**

**Fulton County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2022*

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***Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

***Pension and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB asset/liability information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement plans report investments at fair value.

***Long-term Obligations***

The School District's regulatory cash basis financial statements do not report liabilities for bonds, leases and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a leased asset when entering into a lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

***Total Columns on Financial Statements***

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund



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balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Implementation of New Accounting Principles***

For the fiscal year ended June 30, 2022, the School District has (to the extent it applies to the regulatory cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the School District's financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and 2) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

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**NOTE 3 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a regulatory cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**NOTE 4 – BUDGETARY ACTIVITY**

Budgetary activity for the fiscal year ending June 30, 2022 follows:

|                  | 2022 Budgeted vs Actual Receipts |               |            |
|------------------|----------------------------------|---------------|------------|
|                  | Budget                           | Actual        | Variance   |
|                  | Receipts                         | Receipts      |            |
| General          | \$ 18,494,100                    | \$ 18,823,176 | \$ 329,076 |
| Special Revenue  | 3,793,506                        | 3,983,630     | 190,124    |
| Debt Service     | 3,396,670                        | 4,134,656     | 737,986    |
| Capital Projects | 1,478,363                        | 2,078,168     | 599,805    |

|                  | 2022 Appropriation vs Actual Budgetary Basis Expenditures |               |              |
|------------------|---|---------------|--------------|
|                  | Appropriation   | Budgetary     | Variance     |
|                  | Authority   | Expenditures  |              |
| General          | \$ 21,241,779   | \$ 19,899,065 | \$ 1,342,714 |
| Special Revenue  | 4,619,542   | 4,041,661     | 577,881      |
| Debt Service     | 4,236,913   | 4,195,868     | 41,045       |
| Capital Projects | 2,555,050   | 1,256,474     | 1,298,576    |

**NOTE 5 – CASH AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days and 270 days, respectively, from the purchase date in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The School District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

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|                                |                     |
|--------------------------------|---------------------|
| Demand Deposits                | \$ 8,813,649        |
| Petty Cash                     | 550                 |
| STAR Ohio                      | <u>293,238</u>      |
| Total Deposits and Investments | <u>\$ 9,107,437</u> |

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all deposits were covered by FDIC. The School District’s financial institution was approved for a reduced collateral rate of 105 percent through the Ohio Pooled Collateral System. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

For fiscal year 2022, certain School District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2022, is 35 days and carries a rating of AAAM by S&P Global Ratings.

**NOTE 6 – FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance for the major governmental fund types are presented as follows:

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|                                  | General<br>Fund     | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Project<br>Fund | Total               |
|----------------------------------|---------------------|-----------------------------|--------------------------|----------------------------|---------------------|
| Restricted for:                  |                     |                             |                          |                            |                     |
| Capital Projects                 | \$ -                | \$ -                        | \$ -                     | \$ 1,984,798               | \$ 1,984,798        |
| Debt Service                     | -                   | -                           | 2,138,317                | -                          | 2,138,317           |
| Classroom Facilities Maintenance | -                   | 549,956                     | -                        | -                          | 549,956             |
| Food Service                     | -                   | 546,460                     | -                        | -                          | 546,460             |
| Extracurricular Activities       | -                   | 371,574                     | -                        | -                          | 371,574             |
| Student Scholarships             | -                   | 326,750                     | -                        | -                          | 326,750             |
| <b>Total Restricted</b>          | <b>-</b>            | <b>1,794,740</b>            | <b>2,138,317</b>         | <b>1,984,798</b>           | <b>5,917,855</b>    |
| Committed to:                    |                     |                             |                          |                            |                     |
| Other Purposes                   | 11,000              | -                           | -                        | -                          | 11,000              |
| Assigned for:                    |                     |                             |                          |                            |                     |
| Encumbrances:                    |                     |                             |                          |                            |                     |
| Support Services                 | 110,286             | -                           | -                        | -                          | 110,286             |
| Subsequent Year Appropriations   | 2,008,251           | -                           | -                        | -                          | 2,008,251           |
| Public School Support            | 81,201              | -                           | -                        | -                          | 81,201              |
| Other Purposes                   | 639                 | -                           | -                        | -                          | 639                 |
| <b>Total Assigned</b>            | <b>2,200,377</b>    | <b>-</b>                    | <b>-</b>                 | <b>-</b>                   | <b>2,200,377</b>    |
| Unassigned (deficit)             | 1,001,998           | (23,793)                    | -                        | -                          | 978,205             |
| <b>Total Fund Cash Balance</b>   | <b>\$ 3,213,375</b> | <b>\$ 1,770,947</b>         | <b>\$ 2,138,317</b>      | <b>\$ 1,984,798</b>        | <b>\$ 9,107,437</b> |

At June 30, 2022, the following funds had a deficit fund cash balances:

| Fund                           | Deficit          |
|--------------------------------|------------------|
| ESSER                          | \$ 2,584         |
| IDEA, Part B Special Education | 5,700            |
| Title I                        | 15,215           |
| Improving Teacher Quality      | 294              |
| <b>Total</b>                   | <b>\$ 23,793</b> |

**NOTE 7 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment

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is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Fulton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2022 taxes were collected are:

|  | 2021 Second<br>Half Collections |                | 2022 First<br>Half Collections |                |
|--|---------------------------------|----------------|--------------------------------|----------------|
|  | Amount                          | Percent        | Amount                         | Percent        |
| Real Estate                                    | \$ 211,900,020                  | 93.48%         | \$ 212,922,440                 | 93.14%         |
| Public Utility                                 | 14,777,010                      | 6.52%          | 15,676,470                     | 6.86%          |
|  | <u>\$ 226,677,030</u>           | <u>100.00%</u> | <u>\$ 228,598,910</u>          | <u>100.00%</u> |
| Full Tax Rate per \$1,000<br>of assessed value | <u>\$ 46.67</u>                 |                | <u>\$ 45.90</u>                |                |

**NOTE 8 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the School District contracted for the following insurance coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2022, the School District participated in the Ohio School Plan (“the Plan”), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participated in the Northern Buckeye Education Council Employee Insurance Benefits Program (“the Program”), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year.

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Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District ended participation in the Northern Buckeye Education Council Employee Insurance Benefits Program on December 31, 2021. Effective January 1, 2022 the School District purchases employee health insurance from Paramount Health Care. The School District utilizes the services of Butler Capital (Broker/Consultant). The health insurance plan is a fully-insured plan.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**NOTE 9 – LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2022 were as follows:

|                                       | Balance<br>7/1/2021  | Additions           | Reductions          | Balance<br>6/30/2022 | Amounts<br>Due in<br>One Year |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|-------------------------------|
| <b>General Obligation Bonds:</b>      |                      |                     |                     |                      |                               |
| Series 2014 Refunding                 |                      |                     |                     |                      |                               |
| Current Interest                      | \$ 2,235,000         | \$ -                | \$ 2,235,000        | \$ -                 | \$ -                          |
| Capital Appreciation                  | 2,054,987            | -                   | 1,091,523           | 963,464              | 963,464                       |
| Accreted Interest                     | 719,567              | 93,859              | 408,479             | 404,947              | 404,947                       |
| Series 2015 Refunding                 |                      |                     |                     |                      |                               |
| Current Interest                      | 8,000,000            | -                   | 35,000              | 7,965,000            | 40,000                        |
| Capital Appreciation                  | 634,996              | -                   | -                   | 634,996              | -                             |
| Accreted Interest                     | 102,167              | 20,146              | -                   | 122,313              | -                             |
| Series 2021 Refunding                 | -                    | 2,235,000           | -                   | 2,235,000            | 41,000                        |
| <b>Total General Obligation Bonds</b> | <u>13,746,717</u>    | <u>2,349,005</u>    | <u>3,770,002</u>    | <u>12,325,720</u>    | <u>1,449,411</u>              |
| <b>Direct Borrowing:</b>              |                      |                     |                     |                      |                               |
| 2018 Lease-Purchase Obligation        | 995,000              | -                   | 70,000              | 925,000              | 70,000                        |
| <b>Direct Placement:</b>              |                      |                     |                     |                      |                               |
| 2020 Lease-Purchase Obligation        | <u>3,995,000</u>     | <u>-</u>            | <u>235,000</u>      | <u>3,760,000</u>     | <u>242,000</u>                |
| <b>Total Obligations</b>              | <u>\$ 18,736,717</u> | <u>\$ 2,349,005</u> | <u>\$ 4,075,002</u> | <u>\$ 17,010,720</u> | <u>\$ 1,761,411</u>           |

**Classroom Facilities and Improvement Refunding Bonds - Series 2014** - On September 24, 2014, the School District issued general obligation bonds (series 2014 refunding bonds) to advance refund the series 2005 current interest general obligation bonds and portions of the series 2007 current interest general obligation bonds. The issuance proceeds of \$9,484,325, plus a \$100,907 contribution from the School

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District's bond retirement fund, were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). The defeased debt was retired on June 1, 2017.

The refunding issue is comprised of both current interest bonds, par value \$6,975,000, and capital appreciation bonds, par value \$2,054,987. The interest rate on the current interest bonds ranges from 2.00-3.00 percent. The capital appreciation bonds mature on December 1, 2021 (approximate initial offering yield to maturity 2.47 percent), and December 1, 2022 (approximate initial offering yield to maturity 2.77 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,900,000. The bonds will be retired through the bond retirement fund.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2025. These were refunded in fiscal year 2022.

***Classroom Facilities and Improvement Refunding Bonds - Series 2015*** - On November 19, 2015, the School District issued general obligation bonds (series 2015 refunding bonds) to advance refund a portion of the series 2007 current interest general obligation bonds. The issuance proceeds of \$9,457,084 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). The defeased debt was retired on June 1, 2017.

The refunding issue is comprised of both current interest bonds, par value \$8,145,000, and capital appreciation bonds, par value \$634,996. The interest rate on the current interest bonds ranges from 2.00-4.00 percent. The capital appreciation bonds mature on December 1, 2026 (approximate initial offering yield to maturity 2.90 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$855,000. The bonds will be retired through the bond retirement fund.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2034.

***Classroom Facilities and Improvement Refunding Bonds - Series 2021*** - On September 3, 2021, the School District issued general obligation bonds (series 2021 refunding bonds) to advance refund a portion of the series 2014 current interest general obligation bonds. The issuance proceeds of \$2,235,000 used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). The interest rate on the current interest bonds is 0.93 percent. The bonds will be retired through the bond retirement fund.

The net carrying amount of the old debt exceeded the reacquisition price by \$135,686 and provided an economic gain of \$96,869 to the School District. Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2025.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:



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| Fiscal<br>Year Ended | Current Interest Bonds |              | Capital Appreciation Bonds |            | Total         |
|----------------------|------------------------|--------------|----------------------------|------------|---------------|
|                      | Principal              | Interest     | Principal                  | Interest   |               |
| 2023                 | \$ 81,000              | \$ 327,795   | \$ 963,464                 | \$ 436,534 | \$ 1,808,793  |
| 2024                 | 761,000                | 323,252      | -                          | -          | 1,084,252     |
| 2025                 | 777,000                | 315,471      | -                          | -          | 1,092,471     |
| 2026                 | 776,000                | 307,622      | -                          | -          | 1,083,622     |
| 2027                 | -                      | 303,700      | 634,996                    | 220,004    | 1,158,700     |
| 2028-2032            | 4,585,000              | 1,112,050    | -                          | -          | 5,697,050     |
| 2033-2035            | 3,220,000              | 196,400      | -                          | -          | 3,416,400     |
| Total                | \$ 10,200,000          | \$ 2,886,290 | \$ 1,598,460               | \$ 656,538 | \$ 15,341,288 |

**2018 Lease-Purchase Agreement** - On March 7, 2018, the School District entered into a lease-purchase agreement with the Branch Banking and Trust Company. This agreement provided the School District with \$1,200,000 of issuance proceeds for the purpose of constructing, furnishing and equipping a new administrative facility on the high school campus. The lease-purchase agreement bears an interest rate of 3.3 percent and matures on December 1, 2032. The agreement contains a provision that in an event of default the School District must account for all transactions related to the lease proceeds and return any sums remaining and/or return possession of all leased property and equipment including being responsible for lease payments until sold, leased or subleased. The lease-purchase agreement will be retired through the permanent improvement fund.

The following is a summary of the future debt service requirements to maturity for the 2018 lease-purchase agreement:

| Fiscal<br>Year Ended | 2018 Lease Purchase Obligation |            | Total        |
|----------------------|--------------------------------|------------|--------------|
|                      | Principal                      | Interest   |              |
| 2023                 | \$ 70,000                      | \$ 29,370  | \$ 99,370    |
| 2024                 | 75,000                         | 26,978     | 101,978      |
| 2025                 | 75,000                         | 24,502     | 99,502       |
| 2026                 | 80,000                         | 21,945     | 101,945      |
| 2027                 | 80,000                         | 19,305     | 99,305       |
| 2028-2032            | 445,000                        | 54,038     | 499,038      |
| 2033                 | 100,000                        | 1,650      | 101,650      |
| Total                | \$ 925,000                     | \$ 177,788 | \$ 1,102,788 |

**2020 Lease-Purchase Agreement** - On August 21, 2020, the School District entered into a lease-purchase agreement with Zions Bancorporation. This agreement provided the School District with \$3,174,000 of issuance proceeds for the purpose of a new equipment lease purchase and refunded the existing energy conservation project with proceeds of \$821,000. The lease-purchase agreement bears an interest rate of 2.16 percent and matures on September 1, 2035. The agreement contains a provision that in an event of default the School District must account for all transactions related to the lease proceeds and return any sums remaining and/or return possession of all leased property and equipment including being responsible for lease payments until sold, leased or subleased. The lease-purchase agreement will be retired through the permanent improvement fund.

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The following is a summary of the future debt service requirements to maturity for the 2020 lease-purchase agreement:

| Fiscal<br>Year Ended | 2020 Lease Purchase Obligation |                   | Total               |
|----------------------|--------------------------------|-------------------|---------------------|
|                      | Principal                      | Interest          |                     |
| 2023                 | \$ 242,000                     | \$ 78,602         | \$ 320,602          |
| 2024                 | 247,000                        | 73,321            | 320,321             |
| 2025                 | 252,000                        | 67,932            | 319,932             |
| 2026                 | 258,000                        | 62,424            | 320,424             |
| 2027                 | 264,000                        | 56,786            | 320,786             |
| 2028-2032            | 1,406,000                      | 195,091           | 1,601,091           |
| 2033-2036            | 1,091,000                      | 44,636            | 1,135,636           |
| Total                | <u>\$ 3,760,000</u>            | <u>\$ 578,792</u> | <u>\$ 4,338,792</u> |

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

|                                 | Eligible to<br>Retire before<br>August 1, 2017 *                                | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|---------------------------------|---|--|
| Full Benefits                   | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced<br>Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, may be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

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The School District's contractually required contribution to SERS was \$395,040 for fiscal year 2022.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS

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bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2022 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,313,419 for fiscal year 2022.

***Pension Liabilities***

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

|  | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u>  |
|--|--------------------|--------------------|---------------|
| Proportion of the Net Pension Liability:         |                    |                    |               |
| Current Measurement Date                         | 0.06770780%        | 0.07312069%        |               |
| Prior Measurement Date                           | 0.06726420%        | 0.07289883%        |               |
| Change in Proportionate Share                    | <u>0.00044360%</u> | <u>0.00022186%</u> |               |
| Proportionate Share of the Net Pension Liability | \$ 2,498,221       | \$ 9,349,138       | \$ 11,847,359 |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

|  |   |
|--|---|
| Actuarial Cost Method                        | Entry Age Normal (Level Percentage of Payroll, Closed)  |
| Inflation                                    | 2.40 percent  |
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent   |
| Investment Rate of Return                    | 7.00 percent, net of investment expense, including inflation  |
| COLA or Ad Hoc COLA                          | 2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement |

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 2.00 %                   | (0.33) %                                      |
| US Equity                   | 24.75                    | 5.72  |
| Non-US Equity Developed     | 13.50                    | 6.55  |
| Non-US Equity Emerging      | 6.75                     | 8.54  |
| Fixed Income/Global Bonds   | 19.00                    | 1.14  |
| Private Equity              | 11.00                    | 10.03   |
| Real Estate/Real Assets     | 16.00                    | 5.41  |
| Multi-Asset Strategies      | 4.00                     | 3.47  |
| Private Debt/Private Credit | 3.00                     | 5.28  |
| Total                       | <u>100.00 %</u>          |   |

**Discount Rate** Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18%.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

|  | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------|--------------------|
| School District's Proportionate Share of the Net Pension Liability | \$ 4,156,427       | \$ 2,498,221                 | \$ 1,099,784       |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, are presented below:

|                            |   |
|----------------------------|---|
| Inflation                  | 2.50 percent  |
| Actuarial Cost Method      | Entry Age Normal (Level Percent of Payroll)                   |
| Projected Salary Increases | 12.50 percent at age 20 to 2.50 percent at age 65             |
| Investment Rate of Return  | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases          | 3.00 percent  |
| Cost-of-Living Adjustments | 0.00 percent  |

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Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation, were based on the results of an available actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Rate of Return* |
|----------------------|----------------------|---------------------------------------|
| Domestic Equity      | 28.00 %              | 7.35 %                                |
| International Equity | 23.00                | 7.55                                  |
| Alternatives         | 17.00                | 7.09                                  |
| Fixed Income         | 21.00                | 3.00                                  |
| Real Estate          | 10.00                | 6.00                                  |
| Liquidity Reserves   | 1.00                 | 2.25                                  |
| Total                | 100.00 %             |                                       |

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School District's proportionate share of the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:



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|   | 1% Decrease   | Current<br>Discount Rate | 1% Increase  |
|---|---------------|--------------------------|--------------|
| School District's Proportionate Share<br>of the Net Pension Liability | \$ 17,507,435 | \$ 9,349,138             | \$ 2,455,393 |

**Assumption and Benefit Changes since the Prior Measurement Date** The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

**NOTE 11 – DEFINED BENEFIT OPEB PLANS**

See Note 10 for a description of the net OPEB liability (asset).

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than

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2.0 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District’s surcharge obligation was \$38,337.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. . The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

|   | SERS         | STRS           |
|---|--------------|----------------|
| Proportion of the Net OPEB Liability (Asset):         |              |                |
| Current Measurement Date                              | 0.06964300%  | 0.07312100%    |
| Prior Measurement Date                                | 0.06991700%  | 0.07289900%    |
| Change in Proportionate Share                         | -0.00027400% | 0.00022200%    |
| Proportionate Share of the Net OPEB Liability (Asset) | \$ 1,318,053 | \$ (1,541,696) |

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

|                                       |   |
|---------------------------------------|---|
| Inflation                             | 2.40 percent  |
| Salary Increases, including inflation | 3.25 percent to 13.58 percent   |
| Investment Rate of Return             | 7.00 percent net of investment expense, including inflation             |
| Municipal Bond Index Rate             |   |
| Measurement Date                      | 1.92 percent  |
| Prior Measurement Date                | 2.45 percent  |
| Single Equivalent Interest Rate       |   |
| Measurement Date                      | 2.27 percent, net of plan investment expense, including price inflation |
| Prior Measurement Date                | 2.63 percent, net of plan investment expense, including price inflation |
| Health Care Cost Trend Rate           |   |
| Pre-Medicare                          | 6.750 percent - 4.40 percent  |
| Medicare                              | 5.125 percent - 4.40 percent  |

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUM-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward one year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected

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return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 2.00 %                   | (0.33) %                                      |
| US Equity                   | 24.75                    | 5.72  |
| Non-US Equity Developed     | 13.50                    | 6.55  |
| Non-US Equity Emerging      | 6.75                     | 8.54  |
| Fixed Income/Global Bonds   | 19.00                    | 1.14  |
| Private Equity              | 11.00                    | 10.03   |
| Real Estate/Real Assets     | 16.00                    | 5.41  |
| Multi-Asset Strategies      | 4.00                     | 3.47  |
| Private Debt/Private Credit | 3.00                     | 5.28  |
| Total                       | <u>100.00 %</u>          |   |

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, and SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what SERS net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2022

|   | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|---|--------------|--------------------------|--------------|
| School District's Proportionate Share of the Net OPEB Liability | \$ 1,633,225 | \$ 1,318,053             | \$ 1,066,268 |
|   |              | Current<br>Trend Rate    | 1% Increase  |
| School District's Proportionate Share of the Net OPEB Liability | \$ 1,014,791 | \$ 1,318,053             | \$ 1,723,113 |

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

|                              |   |                 |
|------------------------------|---|-----------------|
| Inflation                    | 2.50 percent  |                 |
| Projected Salary Increases   | 12.50 percent at age 20 to 2.50 percent at age 65             |                 |
| Payroll Increases            | 3.00 percent  |                 |
| Investment Rate of Return    | 7.00 percent, net of investment expenses, including inflation |                 |
| Discount Rate of Return      | 7.00 percent  |                 |
| Health Care Cost Trend Rates |   |                 |
| Medical                      | <u>Initial</u>  | <u>Ultimate</u> |
| Pre-Medicare                 | 5.00 percent  | 4.00 percent    |
| Medicare                     | -16.18 percent  | 4.00 percent    |
| Prescription Drug            |   |                 |
| Pre-Medicare                 | 6.50 percent  | 4.00 percent    |
| Medicare                     | 29.98 percent   | 4.00 percent    |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2022

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Rate of Return* |
|----------------------|----------------------|---------------------------------------|
| Domestic Equity      | 28.00 %              | 7.35 %                                |
| International Equity | 23.00                | 7.55                                  |
| Alternatives         | 17.00                | 7.09                                  |
| Fixed Income         | 21.00                | 3.00                                  |
| Real Estate          | 10.00                | 6.00                                  |
| Liquidity Reserves   | 1.00                 | 2.25                                  |
| <b>Total</b>         | <b>100.00 %</b>      |                                       |

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2021, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase    |
|--|--|--------------------------|----------------|
|  | School District's Proportionate Share<br>of the Net OPEB Liability (Asset) | \$ (1,300,953)           | \$ (1,541,696) |
|  | 1% Decrease  | Current<br>Trend Rate    | 1% Increase    |
|  | School District's Proportionate Share<br>of the Net OPEB Liability (Asset) | \$ (1,734,652)           | \$ (1,541,696) |

Changes Between the Measurement Date and the Reporting Date in February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**NOTE 12 - CONTINGENCIES**

***Grants***

The School District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District at June 30, 2022.

***Litigation***

The School District is not involved in any material litigation as either plaintiff or defendant.

***Foundation Funding***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2022 Foundation funding for the District. ODE and management believe this will not have an effect on the 2022 financial statements.

**NOTE 13 – SET-ASIDES**

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2007, the School District issued \$18,835,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$18,824,475 at June 30, 2022.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
For the Fiscal Year Ended June 30, 2022

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|   | Capital<br>Improvement<br>Reserve |
|---|-----------------------------------|
| Balance, June 30, 2021                      | \$ -                              |
| Current Year Set-Aside Requirement          | 318,111                           |
| Current Year Offset                         | (919,098)                         |
| Total                                       | \$ (600,987)                      |
| <br>  |                                   |
| Balance Carried Forward to Fiscal Year 2023 | \$ -                              |
| <br>  |                                   |
| Set-Aside Balance June 30, 2022             | \$ -                              |

**NOTE 14 – SIGNIFICANT COMMITMENTS**

***Encumbrances***

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year-end, the School District’s commitments for encumbrances in the governmental fund types were as follows:

| Fund Type        | Amount     |
|------------------|------------|
| General          | \$ 110,286 |
| Special Revenue  | 221,360    |
| Capital Projects | 336,036    |
|                  | \$ 667,682 |

***Contractual Commitments***

| Project              | Contract   | Expended | Remaining  |
|----------------------|------------|----------|------------|
| Bus Purchase Program | \$ 449,056 | \$ -     | \$ 449,056 |

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.



**Wauseon Exempted Village School District**  
**Fulton County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**NOTE 15 – INTERFUND**

Transfers during the fiscal year ending June 30, 2022, consisted of the following:

| Fund                  | Transfer<br>In    | Transfer<br>Out   |
|-----------------------|-------------------|-------------------|
| General Fund          | \$ 669,000        | \$ -              |
| Capital Projects Fund | -                 | 669,000           |
| <b>Total</b>          | <b>\$ 669,000</b> | <b>\$ 669,000</b> |

During the fiscal year, the board decided to move the transfer back to the general fund from the capital projects fund that was made in a prior year.

**NOTE 16 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. During fiscal year 2022, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**NOTE 17 – INCOME TAX**

On May 4, 2022, the voters approved a 1.75 percent earned income tax levy for general operations. The tax is in effect for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts will be recorded in the General Fund.

**NOTE 18 – RELATED PARTY TRANSACTIONS**

Larry Zimmerman, a Board Member, is owner of Continental Plaza Marathon, a local company who provided fuel to the District during fiscal year 2022. The District remitted \$6,783 during fiscal year 2022. The purchases were approved at arm’s length with full knowledge by District officials, of Mr. Zimmerman’s interest and Mr. Zimmerman took no part in the deliberation or decision by District officials with respect to the purchase.

**NOTE 19 – MISCELLANEOUS RECEIPTS**

Capital Project miscellaneous receipts consisted of prior year’s energy expenses being allocated to the ESSER Fund and crediting the expenses back to the Capital Projects Fund.

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**WAUSEON EXEMPTED VILLAGE SCHOOL  
FULTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>PROGRAM / CLUSTER</b>                  | <b>Federal<br/>AL<br/>Number</b> | <b>Provided<br/>to<br/>Subrecipients</b> | <b>Total Federal<br/>Expenditures</b> |
|--|----------------------------------|--|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                  |  |                                       |
| <i>Passed Through Ohio Department of Education</i>                                     |                                  |  |                                       |
| <u>Child Nutrition Cluster:</u>  |                                  |  |                                       |
| School Breakfast Program   | 10.553                           |  | \$ 114,976                            |
| Cash Assistance  |                                  |  |                                       |
| National School Lunch Program  | 10.555                           |  |                                       |
| Cash Assistance  |                                  |  | 612,112                               |
| COVID-19 Cash Assistance   |                                  |  | 38,480                                |
| Non-Cash Assistance (Food Distribution)  |                                  |  | 87,422                                |
| Total National School Lunch Program  |                                  |  | <u>738,014</u>                        |
| Total Child Nutrition Cluster  |                                  |  | <u>852,990</u>                        |
| COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant | 10.649                           |  | 614                                   |
| <b>Total U.S. Department of Agriculture</b>  |                                  |  | <b><u>853,604</u></b>                 |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                  |  |                                       |
| <i>Passed Through Ohio Department of Education</i>                                     |                                  |  |                                       |
| Education Stabilization Fund:  |                                  |  |                                       |
| COVID-19 Elementary & Secondary School Emergency Relief (ESSER I)                      | 84.425D                          |  | 13,653                                |
| COVID-19 Elementary & Secondary School Emergency Relief (ARP ESSER)                    | 84.425U                          |  | 1,503,670                             |
| Total Education Stabilization Fund   |                                  |  | <u>1,517,323</u>                      |
| Title I Grants to Local Educational Agencies   | 84.010                           |  | 202,715                               |
| <u>Special Education Cluster (IDEA):</u>   |                                  |  |                                       |
| Special Education - Grants to States (IDEA, Part B)                                    | 84.027                           |  | 384,665                               |
| Special Education - Preschool Grants (IDEA, Preschool)                                 | 84.173                           | \$ 8,581                                 | 8,581                                 |
| Total Special Education Cluster (IDEA)   |                                  | <u>8,581</u>                             | <u>393,246</u>                        |
| Twenty-First Century Community Learning Centers  | 84.287                           |  | 100,738                               |
| English Language Acquisition State Grants  | 84.365                           | 5,938                                    | 5,938                                 |
| Improving Teacher Quality State Grants   | 84.367                           |  | 42,723                                |
| Student Support and Academic Enrichment Program  | 84.424                           |  | 11,143                                |
| Total U.S. Department of Education   |                                  | <u>14,519</u>                            | <u>2,273,826</u>                      |
| <b>Total Expenditures of Federal Awards</b>  |                                  | <b><u>\$ 14,519</u></b>                  | <b><u>\$ 3,127,430</u></b>            |

*The accompanying notes are an integral part of this schedule.*

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wauseon Exempted Village School District, Fulton County, Ohio (the District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the fund balances or changes in fund balances of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a pass-through entity, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E – CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE F – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wauseon Exempted Village School District  
Fulton County  
930 East Oak Street  
Wauseon, Ohio 43567-2223

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Wauseon Exempted Village School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements and have issued our report thereon dated April 17, 2023, wherein we issued an adverse opinion on the District's financial statements because the District did not follow accounting principles generally accepted in the United States of America as required by Ohio Admin. Code 117-2-03. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

***District's Response to Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of this Report***

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 17, 2023

# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Wauseon Exempted Village School District  
Fulton County  
930 East Oak Street  
Wauseon, Ohio 43567-2223

To the Board of Education:

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Wauseon Exempted Village School District, Fulton County, Ohio's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Wauseon Exempted Village School District's major federal programs for the year ended June 30, 2022. Wauseon Exempted Village School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Wauseon Exempted Village School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 17, 2023

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2022**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Adverse  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Education Stabilization Fund – AL #84.425<br>Special Education Cluster |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others                             |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | No   |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2022-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure, the District prepared financial statements in accordance with the regulatory basis of accounting established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

See corrective action plan.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



# WAUSEON EXEMPTED VILLAGE SCHOOLS

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2022

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>  | <b>Additional Information</b>   |
|-----------------------|--|--|---|
| 2021-001              | Finding first reported in 2019, Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03 (B) for not reporting in accordance with generally accepted accounting principles. | Not corrected and reissued as Finding 2022-001 in this report. | Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. |



# WAUSEON EXEMPTED VILLAGE SCHOOLS

## **CORRECTIVE ACTION PLAN 2 CFR 200.511(C) JUNE 30, 2022**

|                                     |   |
|-------------------------------------|---|
| <b>Finding Number:</b>              | 2022-001  |
| <b>Planned Corrective Action:</b>   | Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. |
| <b>Anticipated Completion Date:</b> | N/A   |
| <b>Responsible Contact Person:</b>  | John Kahmann, CFO/Treasurer   |

# OHIO AUDITOR OF STATE KEITH FABER



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT**

**FULTON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 5/4/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)